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dealership. Prior to Plaintiff's commencement of the underlying action, the corporation became indebted to Plaintiff for various monetary sums so advanced. However, the corporation was in the process of repaying its debt to Plaintiff, and had accordingly reduced the amount of the debt outstanding.

- 4. Beginning in or about June 2007, the corporation and Ford Dealer Development, which is operated by Ford Motor Company (the parent company of Plaintiff), commenced buy-sell negotiations for the purchase of the dealership by the latter. (Plaintiff is a wholly owned subsidiary of Ford Motor Company.)
- I was of the understanding that Ford Dealer Development would acquire all of the dealership's inventory (including the automobiles purchased by the corporation with the financing provided by Plaintiff) at the successful conclusion of the buy-sell negotiations, and would thereafter remit the value of the inventory so acquired to Plaintiff in partial settlement of the debt owed by the corporation. I further understood that any remaining deficiency would be satisfied from the sales proceeds realized by the corporation upon the sale of the dealership to Ford Dealer Development, or that a final payoff amount (or payment plan) would be negotiated with Plaintiff following the conclusion of the buy-sell. Because Plaintiff was aware of the corporation's buy-sell discussions with Ford Dealer Development, I understood Plaintiff to be in agreement with this arrangement for the repayment of the debt outstanding.
- 6. Nevertheless, on June 22, 2007, Plaintiff filed a Complaint for: (1) Breach of Wholesale Agreement; (2) Breach of Capital Loan Agreement; (3) Replevin; (4) Specific Performance; (5) Injunctive Relief; and (6) Breach of Guaranty (the "complaint"). On June 25, 2007, the corporation was served with a summons and the complaint by substituted service. Thereafter, on June 26, 2007, I was personally served with a summons and the complaint.
- 7. On June 26, 2007, Plaintiff additionally filed an ex parte application for writ of possession and for a temporary restraining order. I received notice of the exparte application by telephone and by electronic mail.

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- I immediately contacted my then-counsel, Gary S. Vandeweghe, Esq., and 8. discovered that he was out of the country. Both Plaintiff and the Court were advised of his absence and unavailability.
- 9. To ascertain why Plaintiff had commenced legal proceedings despite its awareness of the corporation's continuing buy-sell negotiations with Ford Dealer Development, I contacted Phil Ward, a Territory Sales Manager for Plaintiff. In response thereto, Mr. Ward essentially indicated that Plaintiff was getting its ducks in a row or commencing preliminary procedures to secure the repayment of the debt owed by the corporation. Based on my conversation with Mr. Ward, it was my belief that I did not need to answer the complaint or oppose the ex parte application as Plaintiff had agreed to stand-down in light of the corporation's continuing buy-sell negotiations with Ford Dealer Development.
- 10. On or about August 1, 2007, the Court Clerk entered my default and the default of the corporation.
- 11. On or about August 3, 2007, the corporation and I were served with an order for writ of possession. Despite having received this order, I was of the continuing belief that the underlying action would be dismissed upon the completion of the buy-sell agreement, as the outstanding debt would substantially be satisfied, and that the remaining balance would either be repaid by the corporation from the proceeds of the sale or negotiated with Plaintiff.
- 12. However, shortly thereafter, the corporation's negotiations with Ford Dealer Development reached an impasse, and no further discussions were had. In short, Ford Dealer Development was no longer interested in purchasing the dealership. The corporation thereafter terminated/resigned the franchise (the dealership) to Ford Motor Company. I notified Plaintiff of the termination. Under the terms of the termination of the franchise, Ford Motor Company would purchase the assets of the dealership (including the dealership's vehicles and other inventory), and would turn over the inventory and/or payments therefor to Plaintiff in partial settlement of the corporation's outstanding debt.

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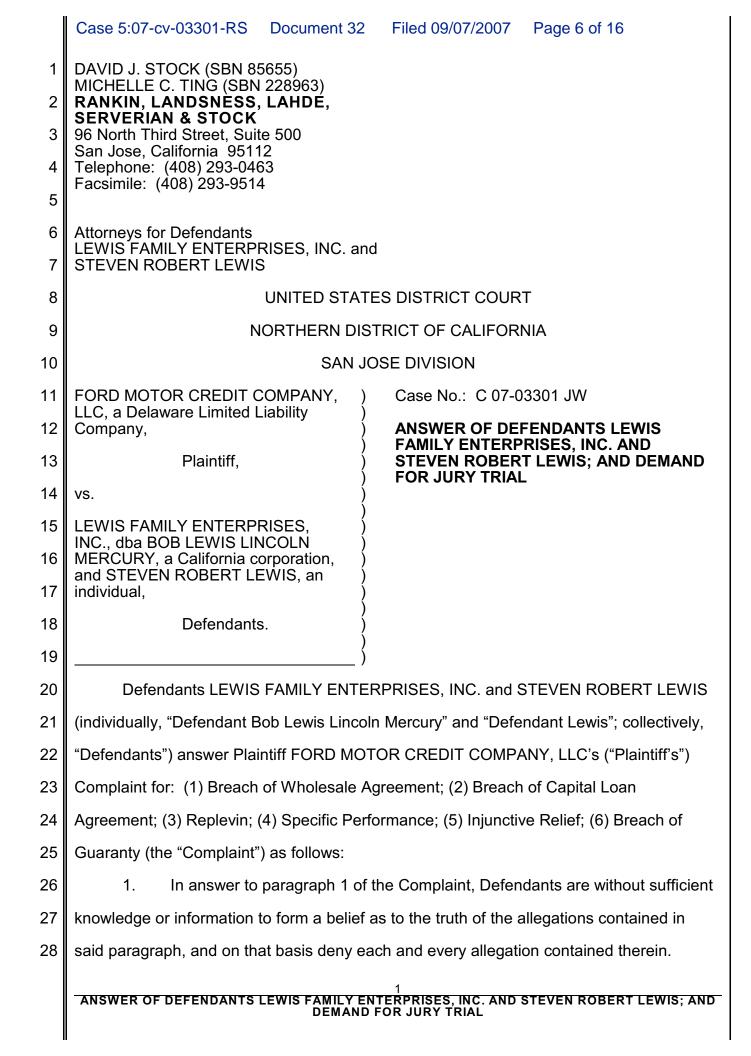
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Attached hereto as Exhibit A and incorporated herein by this reference is a copy of the proposed Answer of Defendants Lewis Family Enterprises, Inc. and Steven Robert Lewis to the complaint.

I declare under penalty of periury under the laws of the United States and of the State of California that the foregoing is true and correct. Executed this September 2007 at Monte Sereno, California.

p.2

Exhibit A



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knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained therein.

4. In answer to paragraph 4 of the Complaint, Defendants admit all allegations

5. In answer to paragraph 5 of the Complaint, Defendants admit that Defendant Lewis is an individual who is a citizen of the State of California and a resident of Santa Clara County. Except as so admitted, Defendants deny each and every allegation contained in said paragraph.

In answer to paragraph 2 of the Complaint, Defendants admit all allegations

In answer to paragraph 3 of the Complaint, Defendants are without sufficient

- 6. In answer to paragraph 6 of the Complaint, Defendants admit that Plaintiff and Defendant Bob Lewis Lincoln Mercury entered into an agreement titled Automotive Wholesale Plan Application for Wholesale Financing and Security Agreement and that under said agreement Plaintiff provided Defendant Bob Lewis Lincoln Mercury financing. Except as so admitted, Defendants deny each and every allegation contained in said paragraph.
- 7. In answer to paragraph 7 of the Complaint, Defendants admit all allegations therein.
- 8. In answer to paragraph 8 of the Complaint, Defendants admit all allegations therein.
- 9. In answer to paragraph 9 of the Complaint, Defendants admit all allegations therein.
- 10. In answer to paragraph 10 of the Complaint, Defendants admit all allegations therein.
- 11. In answer to paragraph 11 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained

therein.

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12. In answer to paragraph 12 of the Complaint, Defendants admit that under the Master Loan and Security Agreement Defendant Bob Lewis Lincoln Mercury granted Plaintiff a security interest in the "Collateral" as defined in said agreement. Except as so admitted. Defendants deny each and every allegation contained in said paragraph.

- In answer to paragraph 13 of the Complaint, Defendants maintain that there 13. are no charging allegations therein.
- 14. In answer to paragraph 14 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained therein.
- 15. In answer to paragraph 15 of the Complaint, Defendants maintain that there are no charging allegations therein.
- 16. In answer to paragraph 16 of the Complaint, Defendants admit that Defendant Lewis executed and delivered to Plaintiff a Continuing Guaranty. Except as so admitted, Defendants deny each and every allegation contained in said paragraph.
- 17. In answer to paragraph 17 of the Complaint, Defendants maintain that there are no charging allegations therein.
- 18. In answer to paragraph 18 of the Complaint, Defendants incorporate by reference each and every denial, defense, or objection contained in Defendants' answer to paragraphs 1 through 17 to the same extent that Plaintiff has incorporated the allegations of paragraphs 1 through 17 of the Complaint by paragraph 18 of the Complaint.
- 19. In answer to paragraph 19 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 20. In answer to paragraph 20 of the Complaint, Defendants admit that Plaintiff conducted an audit of the inventory and accounts of Defendant Bob Lewis Lincoln Mercury, and admit that Defendant Bob Lewis Lincoln Mercury sold vehicles and failed to

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repay Plaintiff the amounts advanced to Defendant Bob Lewis Lincoln Mercury thus creating a sales out of trust or "SOT" condition. Except as so admitted, Defendants deny each and every allegation contained in said paragraph.

- 21. In answer to paragraph 21 of the Complaint, Defendants admit that Plaintiff conducted an audit. Except as so admitted, Defendants are without sufficient knowledge or information to form a belief as to the truth of the remaining allegations contained in said paragraph, and on that basis deny each and every remaining allegation contained therein.
- 22. In answer to paragraph 22 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegations contained therein.
- 23. In answer to paragraph 23 of the Complaint, Defendants deny that Plaintiff has demanded that Defendant Bob Lewis Lincoln Mercury pay the "amounts owing," and further deny that Defendant Bob Lewis Lincoln Mercury has failed and refused to pay the amounts now due. Defendants are without sufficient knowledge or information to form a belief as to the truth of the remaining allegations contained in said paragraph, and on that basis deny each and every remaining allegation contained therein.
- 24. In answer to paragraph 24 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 25. In answer to paragraph 25 of the Complaint, Defendants incorporate by reference each and every denial, defense, or objection contained in Defendants' answer to paragraphs 1 through 24 to the same extent that Plaintiff has incorporated the allegations of paragraphs 1 through 24 of the Complaint by paragraph 25 of the Complaint.
- 26. In answer to paragraph 26 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained therein.

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- 27. In answer to paragraph 27 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegations contained therein.
- 28. In answer to paragraph 28 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 29. In answer to paragraph 29 of the Complaint, Defendants incorporate by reference each and every denial, defense, or objection contained in Defendants' answer to paragraphs 1 through 28 to the same extent that Plaintiff has incorporated the allegations of paragraphs 1 through 28 of the Complaint by paragraph 29 of the Complaint.
- 30. In answer to paragraph 30 of the Complaint, Defendants admit that under the Security Agreement Defendant Bob Lewis Lincoln Mercury granted to Plaintiff a security interest in the "Collateral" as defined under said agreement. Except as so admitted, Defendants deny each and every allegation contained in said paragraph.
- 31. In answer to paragraph 31 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 32. In answer to paragraph 32 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 33. In answer to paragraph 33 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 34. In answer to paragraph 34 of the Complaint, Defendants admit that Plaintiff has inspected Defendant Bob Lewis Lincoln Mercury's sales lot at 911 Capitol Expressway Auto Mall, San Jose, California 95136. Except as so admitted, Defendants deny each and every allegation contained in said paragraph.
- 35. In answer to paragraph 35 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained

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36. In answer to paragraph 36 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained therein.

- 37. In answer to paragraph 37 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegation contained therein.
- 38. In answer to paragraph 38 of the Complaint, Defendants maintain that there are no charging allegations therein.
- 39. In answer to paragraph 39 of the Complaint, Defendants maintain that there are no charging allegations therein.
- 40. In answer to paragraph 40 of the Complaint, Defendants incorporate by reference each and every denial, defense, or objection contained in Defendants' answer to paragraphs 1 through 39 to the same extent that Plaintiff has incorporated the allegations of paragraphs 1 through 39 of the Complaint by paragraph 40 of the Complaint.
- 41. In answer to paragraph 41 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 42. In answer to paragraph 42 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 43. In answer to paragraph 43 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 44. In answer to paragraph 44 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 45. In answer to paragraph 45 of the Complaint, Defendants incorporate by reference each and every denial, defense, or objection contained in Defendants' answer

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to paragraphs 1 through 44 to the same extent that Plaintiff has incorporated the allegations of paragraphs 1 through 44 of the Complaint by paragraph 45 of the Complaint.

- 46. In answer to paragraph 46 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 47. In answer to paragraph 47 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 48. In answer to paragraph 48 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 49. In answer to paragraph 49 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 50. In answer to paragraph 50 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 51. In answer to paragraph 51 of the Complaint, Defendants maintain that there are no charging allegations therein.
- 52. In answer to paragraph 52 of the Complaint, Defendants incorporate by reference each and every denial, defense, or objection contained in Defendants' answer to paragraphs 1 through 51 to the same extent that Plaintiff has incorporated the allegations of paragraphs 1 through 51 of the Complaint by paragraph 52 of the Complaint.
- 53. In answer to paragraph 53 of the Complaint, Defendants deny each and every allegation contained in said paragraph.
- 54. In answer to paragraph 54 of the Complaint, Defendants are without sufficient knowledge or information to form a belief as to the truth of the allegations contained in said paragraph, and on that basis deny each and every allegations contained therein.

AFFIRMATIVE DEFENSES

AS AND FOR A FIRST AFFIRMATIVE DEFENSE, Defendants allege that the

Complaint and each claim for relief therein fails to state facts sufficient to constitute a

AS AND FOR A SECOND AFFIRMATIVE DEFENSE, Defendants allege that the

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27 28 Complaint and each claim for relief therein is barred by the statute of limitations. AS AND FOR A THIRD AFFIRMATIVE DEFENSE, Defendants allege that the

cause of action against Defendants.

damages of which Plaintiff complains, if any there were, were proximately caused by the negligence, strict liability, breach of contract and breach of warranties by other persons, firms, corporations and entities, including other third parties, for whom Defendants are not and were not responsible, and should Plaintiff be entitled to recover under the Complaint, Plaintiff's recovery should be reduced in proportion to the negligence, strict liability, breach of warranties and breach of contract of such other persons, firms, corporations and entities.

AS AND FOR A FOURTH AFFIRMATIVE DEFENSE, Defendants allege the alleged damages of Plaintiff, if any there were, were aggravated by the failure of Plaintiff to use reasonable diligence to mitigate these damages, which failure bars or reduces recovery by Plaintiff.

AS AND FOR A FIFTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff has directed, ordered, approved and ratified the conduct of Defendants as alleged in the Complaint, and Plaintiff is therefore estopped from asserting any claim based thereon.

AS AND FOR A SIXTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff has by its own conduct waived any rights and claims as set forth in the Complaint.

AS AND FOR A SEVENTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff assumed the risk of any damage resulting from the matters set forth in said Complaint, if any there were, and that said risk assumed by Plaintiff was a proximate cause of the damages alleged by Plaintiff, if any there were.

AS AND FOR AN EIGHTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff was itself negligent and careless in and about the matters and events set forth in the Complaint, and that said negligence proximately contributed to its alleged damages, if

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any there were. Any judgment in favor of Plaintiff, if any, which may be rendered in this case must therefore be reduced by the percentage of negligence of Plaintiff which contributed to the damages complained of, if any there were.

AS AND FOR A NINTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff has failed to take reasonable or adequate steps to mitigate, alter, reduce or otherwise diminish the damages, if any, suffered by it. By reason of the foregoing, Plaintiff is barred from recovery of any damages that might have been prevented by those steps.

AS AND FOR A TENTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff is barred by the equitable doctrine of estoppel.

AS AND FOR AN ELEVENTH AFFIRMATIVE DEFENSE, Defendants allege that there is no writing pursuant to any applicable statute, which provides for the award of attorney's fees and costs in favor of Plaintiff as against Defendants.

AS AND FOR A TWELFTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff's claims are barred by the equitable doctrine of laches.

AS AND FOR A THIRTEENTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff's claims are barred by the equitable doctrine of unclean hands.

AS AND FOR A FOURTEENTH AFFIRMATIVE DEFENSE, Defendants allege that Plaintiff's claims are barred by the equitable doctrine of waiver.

AS AND FOR A FIFTEENTH AFFIRMATIVE DEFENSE, Defendants allege that the contracts alleged in the Complaint were subsequently modified after execution in that Plaintiffs and/or their agents, by oral representations and by conduct or custom that were antithetical to the terms of the written contracts alleged in the Complaint, induced Defendants to rely on that behavior. Plaintiff is therefore estopped from denying that the contracts alleged in the Complaint were modified.

AS AND FOR A SIXTEENTH AFFIRMATIVE DEFENSE, Defendants allege that they were induced not to perform under the contracts alleged in the Complaint by the representations, acts, and conduct of Plaintiff intended or naturally tending to have taht effect.

	Case 5:07-cv-03301	-RS Document 32	Filed 09/07/2007	Page 15 of 16
1	WHEREFORE, Defendants pray as follows:			
2	1. That the Court dismiss Plaintiff's Complaint with prejudice;			
3	2. That Plaintiff take nothing by reason of its Complaint;			
4	3. That Defendants be awarded their reasonable attorneys' fees;			
5	4. That Defendants be awarded their costs of suit; and			
6	5. For such other and further relief as the Court deems appropriate.			
7				
8			Respect	fully submitted,
9	Dated:	, 2007		, LANDSNESS, LAHDE, RIAN & STOCK
10			02.112.	
11				
12	By: David J. Stock, Attorneys for for Defendants LEWIS FAMILY			
13 14	ENTERPRISES, INC. and STEVEN ROBERT LEWIS			
15				
16	DEMAND FOR JURY TRIAL			
17	Defendants LEWIS FAMILY ENTERPRISES, INC. and STEVEN ROBERT LEWIS			
18	hereby demand a trial by jury.			
19				
20			Respect	fully submitted,
21	Dated:	, 2007	RANKIN SERVE	, LANDSNESS, LAHDE, RIAN & STOCK
22			OLIVEI	VIAN & OTOOK
23				
24			By:	id J. Stock, Attorneys for
25	for Defendants LEWIS F ENTERPRISES, INC. a			Defendants LEWIS FAMILY ERPRISES, INC. and
26	STEVEN ROBERT LEWIS			
27				
28				
	-			

Page 16 of 16